



## Consumer Federation of America

FOR IMMEDIATE RELEASE:  
January 19, 2006

CONTACT:  
J. Robert Hunter, 703-528-0062

### **RISING GAS PRICES SHOULD LOWER AUTO INSURANCE RATES FOR MANY CONSUMERS**

*– CFA Urges Consumers Who Drive Less to Contact Their Insurance Companies –*

Washington, D.C. -- According to an analysis released today by the Consumer Federation of America (CFA), consumers who are driving less as a result of higher gasoline prices could save an average of five to ten percent – about \$47 to \$94 – on their automobile insurance rates.<sup>1</sup> At a national average of \$2.20 per gallon, gasoline prices at the pump were 41 cents higher (22.7 percent) in late December than one year before. While additional fuel costs have created great hardship for many consumers, these increases could mean immediate auto insurance savings for some and ultimately lower rates for all consumers.

“When gas prices jump, consumers take action to reduce their consumption by car-pooling, using mass transportation or simply driving less,” said J. Robert Hunter, Director of Insurance for the Consumer Federation of America and a former state insurance commissioner and federal insurance administrator. “Most insurers include miles driven and how the car is used as major factors in determining rates, so if consumers have altered their driving habits, they may qualify for immediate rate relief,” said Hunter.

CFA advised consumers who had reduced their driving to call their insurers to see if a reduction in rates was in order. Here are examples of the sorts of possible savings:

- **If you stopped driving to work or school, you might be eligible for savings.** Rather than being rated as a “drive to business or school” vehicle, your car will now be rated as one used for “pleasure” with a lower rate. Call your insurer now and ask for a reduction in your rate and a refund if you are due one. Savings will vary but will average about 10 percent.
- **If you still drive to work or school but do not drive as far, you may be due a rate reduction.** Insurers usually charge more if you drive further to work or school. If you now drive to the bus instead of all the way to work or car-pool and only drive once or twice a week, you may be able to reduce your rates. While you will still be classified as driving to work or school, you may fall into a lower price category. Savings will average about 5 percent.

**-MORE-**

---

<sup>1</sup> The average auto insurance premium in the U.S. is \$939, according to the National Association of Insurance Commissioners (see attached table showing state data).

**PAGE TWO**

- **If you reduced the miles you drive in other ways, such as walking to the store instead of driving or consolidating trips, a rate reduction may also be possible.** Many insurers have several rates they charge based on the number of miles you drive. While insurers have different breaking points for these rate changes, you may qualify for a lower rate based on the reduced number of miles you drive. For example, a reduction in the average number of miles you drive a week from 200 to 175 represents a yearly decline from 10,400 to 9,100 miles. Many consumers would receive a lower price in this situation as insurers sometimes use 10,000 miles as a key break in their pricing structures. Savings will average about 5 percent.

CFA noted that these savings will vary by insurer and that some changes in mileage may not produce savings at all with some insurers. For example, CFA checked rates on [www.esurance.com](http://www.esurance.com) for a driver who stopped driving to work from Arlington, Virginia (Zip Code 22207) and found a wide variety of rate savings:

| <u>INSURER</u> | <u>PRICE/drive to work</u> | <u>PRICE/No drive to work</u> |
|----------------|----------------------------|-------------------------------|
| esurance       | \$563                      | \$474 (6 month policy)        |
| Travelers      | \$286                      | \$243 (6 month policy)        |
| Safeco         | \$298                      | \$271 (6 month policy)        |
| encompass      | \$579                      | \$579 (12 month policy)       |

Savings range from \$0 to \$89 (from 0 to 16 percent) in this example.

Savings might be more significant for consumers who are charged higher prices for insurance, such as those who are younger or who live in urban areas. On the other hand, an adult living on a farm who pays only a few hundred dollars for auto insurance will save less. The attached chart shows average auto premiums by state.

“Every insurer is different when it comes to mileage discounts,” Hunter warned. “We urge consumers to call their insurance companies right away to determine if a change in their driving behavior qualifies them for a lower rate right now,” he said. “It is also important that consumers who are driving less shop around before renewing their policy.”

CFA also called on state insurance commissioners to undertake a review of auto rates to determine if rate reductions are due as a result of large recent gasoline price increases. CFA noted that during previous gas price spikes, fewer auto insurance claims were filed as gas prices increased.

“Auto claims drop because consumers change their driving habits when gas prices shoot up for a sustained period of time,” said Hunter. “Even when the price of fuel then drops, the decline in claim frequency tends to remain. It is crucial that state officials make sure that insurance companies are charging fair rates as the amount they have to pay out for insurance claims drops,” he said.

*CFA is a non-profit association of 300 organizations that, since 1968, has sought to advance the consumer interest through research, advocacy and education.*

**ESTIMATED AVERAGE AUTO INSURANCE SAVINGS FROM DECREASED MILES DRIVEN DUE TO GAS PRICE HIKE**

| State          | Combined Average Premium | Average Savings of 10% | Average Savings of 5% |
|----------------|--------------------------|------------------------|-----------------------|
| Alabama        | \$793.00                 | \$79.30                | \$39.65               |
| Alaska         | \$1,110.00               | \$111.00               | \$55.50               |
| Arizona        | \$1,055.00               | \$105.50               | \$52.75               |
| Arkansas       | \$850.00                 | \$85.00                | \$42.50               |
| California     | \$950.00                 | \$95.00                | \$47.50               |
| Colorado       | \$1,074.00               | \$107.40               | \$53.70               |
| Connecticut    | \$1,088.00               | \$108.80               | \$54.40               |
| Delaware       | \$1,062.00               | \$106.20               | \$53.10               |
| DC             | \$1,277.00               | \$127.70               | \$63.85               |
| Florida        | \$1,104.00               | \$110.40               | \$55.20               |
| Georgia        | \$920.00                 | \$92.00                | \$46.00               |
| Hawaii         | \$881.00                 | \$88.10                | \$44.05               |
| Idaho          | \$711.00                 | \$71.10                | \$35.55               |
| Illinois       | \$846.00                 | \$84.60                | \$42.30               |
| Indiana        | \$768.00                 | \$76.80                | \$38.40               |
| Iowa           | \$679.00                 | \$67.90                | \$33.95               |
| Kansas         | \$777.00                 | \$77.70                | \$38.85               |
| Kentucky       | \$882.00                 | \$88.20                | \$44.10               |
| Louisiana      | \$1,174.00               | \$117.40               | \$58.70               |
| Maine          | \$730.00                 | \$73.00                | \$36.50               |
| Maryland       | \$978.00                 | \$97.80                | \$48.90               |
| Massachusetts  | \$1,134.00               | \$113.40               | \$56.70               |
| Michigan       | \$1,080.00               | \$108.00               | \$54.00               |
| Minnesota      | \$929.00                 | \$92.90                | \$46.45               |
| Mississippi    | \$853.00                 | \$85.30                | \$42.65               |
| Missouri       | \$822.00                 | \$82.20                | \$41.10               |
| Montana        | \$854.00                 | \$85.40                | \$42.70               |
| Nebraska       | \$762.00                 | \$76.20                | \$38.10               |
| Nevada         | \$1,044.00               | \$104.40               | \$52.20               |
| New Hampshire  | \$830.00                 | \$83.00                | \$41.50               |
| New Jersey     | \$1,365.00               | \$136.50               | \$68.25               |
| New Mexico     | \$912.00                 | \$91.20                | \$45.60               |
| New York       | \$1,313.00               | \$131.30               | \$65.65               |
| North Carolina | \$717.00                 | \$71.70                | \$35.85               |
| North Dakota   | \$695.00                 | \$69.50                | \$34.75               |
| Ohio           | \$752.00                 | \$75.20                | \$37.60               |
| Oklahoma       | \$862.00                 | \$86.20                | \$43.10               |
| Oregon         | \$825.00                 | \$82.50                | \$41.25               |
| Pennsylvania   | \$909.00                 | \$90.90                | \$45.45               |
| Rhode Island   | \$1,156.00               | \$115.60               | \$57.80               |
| South Carolina | \$866.00                 | \$86.60                | \$43.30               |
| South Dakota   | \$727.00                 | \$72.70                | \$36.35               |
| Tennessee      | \$775.00                 | \$77.50                | \$38.75               |

|               |            |          |         |
|---------------|------------|----------|---------|
| Texas         | \$932.00   | \$93.20  | \$46.60 |
| Utah          | \$848.00   | \$84.80  | \$42.40 |
| Vermont       | \$786.00   | \$78.60  | \$39.30 |
| Virginia      | \$752.00   | \$75.20  | \$37.60 |
| Washington    | \$924.00   | \$92.40  | \$46.20 |
| West Virginia | \$1,000.00 | \$100.00 | \$50.00 |
| Wisconsin     | \$693.00   | \$69.30  | \$34.65 |
| Wyoming       | \$796.00   | \$79.60  | \$39.80 |
| USA           | \$939.00   | \$93.90  | \$46.95 |

Source: NAIC 2002/2003 Auto Insurance Database Report